

UPS is Comprehensively Engaged

1. World's Most Admired - Rated #1 in FORTUNE 2010 delivery industry survey*
2. Newsweek Green Companies – both Global and US
3. First global shipping, delivery and logistics company to join EPA Climate Leaders (US)
4. Global recognition - Ethisphere Institute's 2010 World's Most Ethical Companies listing
5. Confronting climate change — 1st place in '09 Climate Counts rankings for consumer shipping companies
6. Recognized for addressing climate impact —Maplecroft Climate Innovation Index US 100*

*Rankings – World's Most Admired Companies, Industries – Delivery, Fortune, March 22, 2010. Web. March 29, 2010. <
<http://money.cnn.com/magazines/fortune/mostadmired/2010/index.html>>.

... and Deeply Committed

7. Airline emissions goal — 20% less CO₂/ATM from 2005- 2020
8. Automotive goal – reduce MPG performance by at least 20% from 2000-2020
9. Acting responsibly — Published first sustainability report in the industry - 2007
10. Helping customers help the environment — First in US to offer third-party-verified carbon-neutral shipping option for U.S. shipments
11. Leveraging package expertise – First and only in industry to offer packaging assessment and “stamp” of recognition (Eco Responsible Packaging Program)

*Maplecroft Climate Innovation Indexes (CIIIs) – Scorecard: United Parcel Service Inc. Maplecroft, January 26, 2010. Web. January 27, 2010. <
http://maplecroft.com/portfolio/industry/scorecards/Maplecroft_CII_Scorecard_United_Parcel_Service_Inc.pdf>.

Focused on de-carbonization strategy

- Modal shifts, route management, expansive driver training and management strategies, telematics, etc. all help optimize performance, reduce fuel waste and avoid emissions.
- Flexibility of our asset network allows for shifts to the most energy-efficient mode of transport.
- UPS uses rail extensively in the US to reduce carbon emissions for long-distance shipping — more than anyone else in the package industry.
- Use the most energy-efficient mode of transport available while still meeting the delivery-time requirements of our customers.



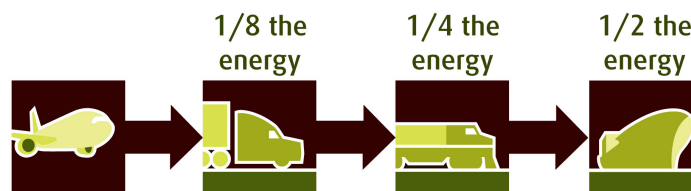
2009

- ✓ 12M gals of fuel (116K MT's of CO₂) avoided through routing technology
- ✓ 90K gallons less via idle time reduction (113M minutes)
- ✓ 590K gallons (5.6M miles) through improved stops per mile
- ✓ 2.4M MT's of CO₂ reduced by modal shifting

2022 Alternative Fuel Vehicles (including CNG, LNG, Propane, HEV and Electric) driven over 185M miles at cost to UPS of over \$25M

Intermodal Comparison

Emissions from sea freight are just 1-2% of that of air freight



*kg of CO₂ per Metric Tonne-Kilometer
2

Metric Tonne-Kilometer is equal to one (1) metric tonne of freight moving the distance on one (1) kilometer

(Source: World Resource Institute GHG Protocol)

UPS approach to environmental stewardship

- Operate network in an environmentally-responsible manner
 - *Approach:* Look at Operations for savings and efficiencies, measurement will show you where to go
- Invest in technology and business innovation
 - *Approach:* Don't expect everything to have a short term payback – and the payback may not be exactly where you expect it
- Prioritization of the environment in procurement
 - *Approach:* Consider environment in purchasing decisions (example, paper). Collaborate with suppliers, help them get on board
- Help customers “green” their business too
 - *Approach:* What do you do that you can share? Collaboration vs Protectionism



Customer Engagement



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Climate Change is a Pressing Green Issue

"The IPCC concluded that there is over 90% probability that this global warming is primarily caused by human activities – the most important of these being the emission of greenhouse gasses."

- Climate Change, Global Risks, Challenges and Decisions, University of Copenhagen

"The Senate Environment and Public Works Committee is scheduled to begin hearings next week (October 25) on legislation to cut U.S. emissions 20% below 2005 levels by 2020."

- Wall Street Journal, October 23, 2009

"We're going to have to fundamentally redefine our business models in a low-carbon world."

- James Rogers, CEO Duke Energy Corp.

"Global business leaders added momentum to prospects for a new U.N. climate treaty by agreeing [on May 26] that the world must cut greenhouse gas emissions in half by mid-century by setting specific limits on carbon."

- Associated Press, May 26, 2009

"The EU is committed to reducing its overall emissions to at least 20% below 1990 levels by 2020. "

- European Commission

Market Shifts Correlate What We Are Seeing

- Number of S&P 100 firms producing sustainability reports rose by more than 1/3
- 93 of S&P 100 report some sustainability information
- Companies reporting formal report tracking performance data increased 35% from 07 to 08 reporting cycles
- Last year companies reporting GRI standards increased by 25%



Source: www.siran.org and www.socialinvest.org (12/09)

Carbon Emissions Measurement

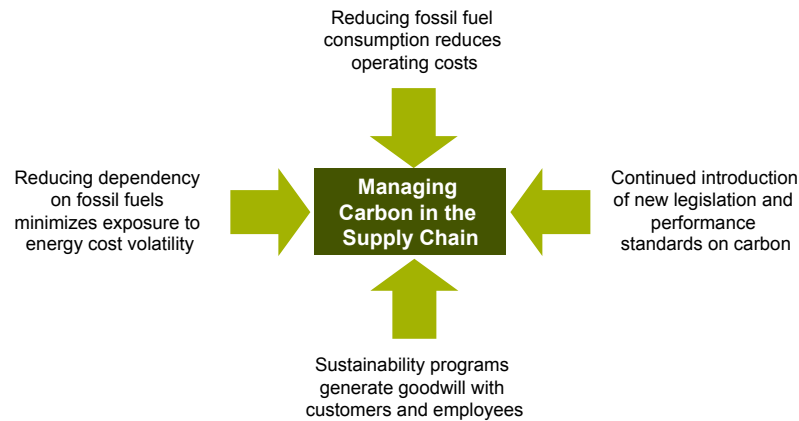
- Capture of carbon Emissions is of concern for businesses for several reasons:
 - Environmental Concerns
 - Regulatory Issues / Shifts
 - Customers' Increasing Attention
 - Goal setting
 - Necessary reporting
 - Strategic differentiation
- For most companies, a significant portion of their carbon footprint resides outside their walls in their supply chain and distribution network (their Scope 3).

Business Approaches are Changing

- Who is getting engaged?
 - Sell products and services targeted at “green” consumers, “mellenials”
 - Those who supply products and services to customers with sustainability requirements
 - Those who have investors or are seeking investment
 - Industries where competitors have environmental sustainability initiatives and product lines
 - Businesses who have environmental risks or public opinion challenges

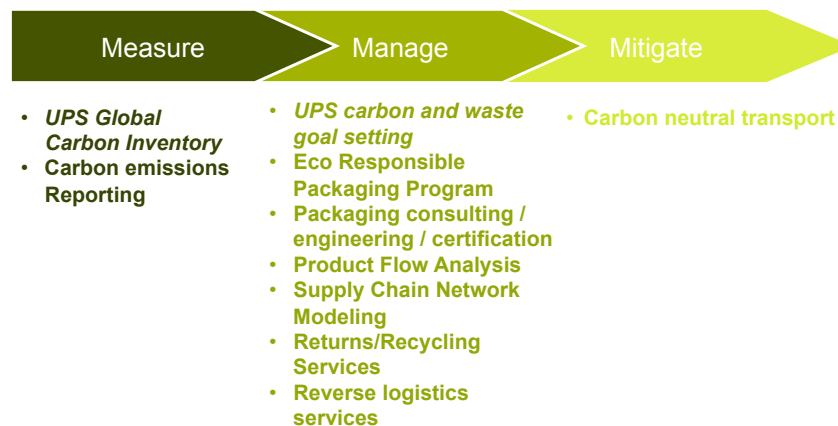


Attention to Supply Chain Carbon Management



Further Focusing Activity & Product Development

Three pronged approach has enabled us to look at internal behaviors and opportunities, set goals, develop products



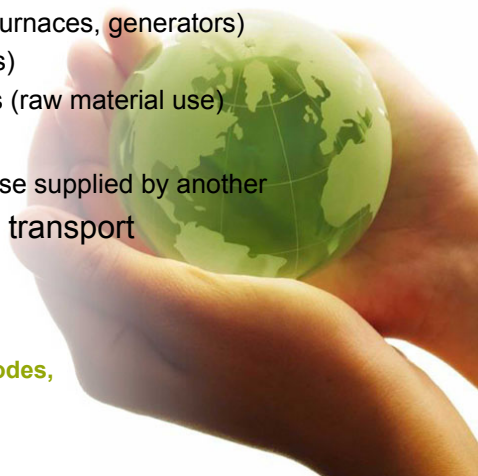
Decision Green™ Portfolio

- Environmentally Centered
 - Carbon Impact Analysis (carbon emissions calculator)
 - Carbon Neutral Shipping
 - Eco Responsible Packaging Program
 - Green Consulting
- “Responsible Choices”/ Can achieve environmental improvement
 - Package design & testing
 - Supply Chain optimization
 - Smart Pickup
 - Reverse logistics
 - Materials selection & reusable envelope
 - Electronic billing and Paperless invoice
 - Reusable envelope

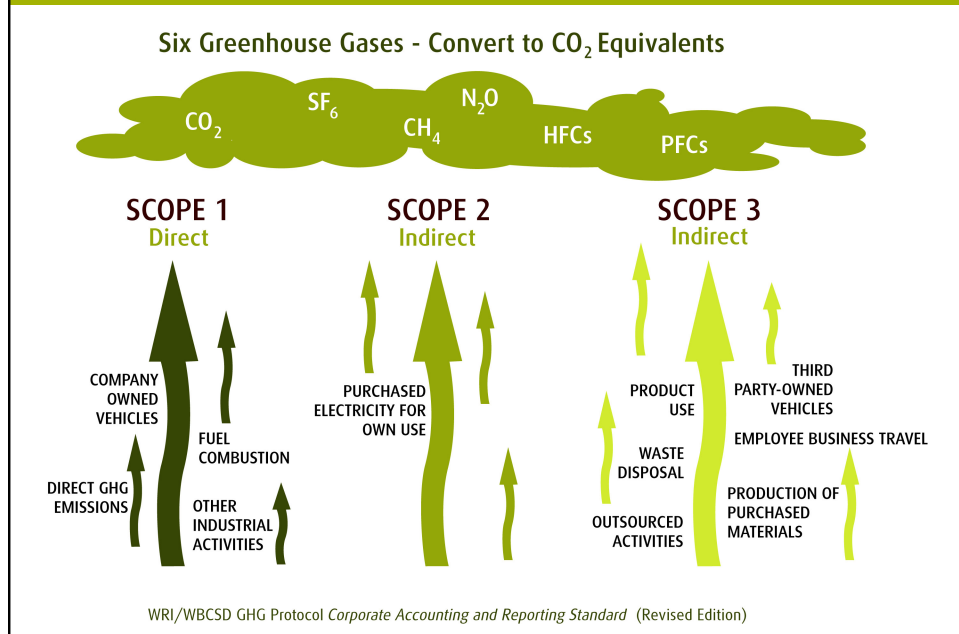
What is a Carbon Footprint?

- What’s in a Carbon Footprint?
 - Direct emissions
 - Mobile Combustion (vehicles)
 - Stationary Combustion (furnaces, generators)
 - Fugitive Emissions (leaks)
 - Manufacturing Emissions (raw material use)
 - Indirect Emissions
 - Emissions from energy use supplied by another
 - Carbon emitted through transport

Comprehensive carbon emissions analysis measures all moves, all modes, worldwide including Scope 3.

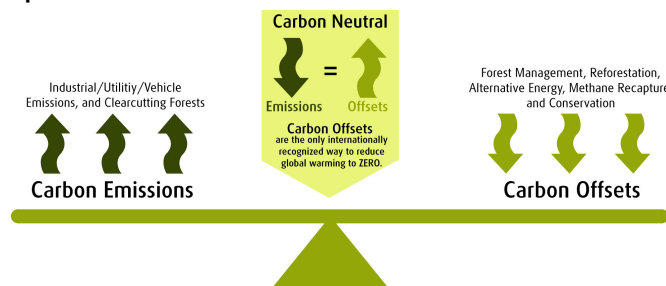


Carbon “Scope” Explanation



Carbon Offsets with UPS carbon neutral

- An offset is a financial instrument aimed at greenhouse gas emissions reduction or removal. Offsets are used to counterbalance or compensate for emissions from other activities.



Companies are choosing carbon neutral shipping as part of an overall strategy of environmental stewardship and improvement – beware of the “marketing ploy”

The green side of packaging

- Our customers (and our customer's customers) are very concerned with packaging waste. We have created a product to help - what should be considered?

XYZ Supply meets UPS's Eco Responsible Packaging Program criteria.
Details at ups.com/ecoresponsible



Sustainability of Packaging Materials

- Box and the fill materials
 - Source location
 - Biodegradability
 - Recyclability
 - Reusability
 - Materials Makeup
 - Life Cycle Metrics
 - Fossil fuel consumed in production
 - Greenhouse gases emitted
 - Water consumed
 - Biotic resource consumption
 - Aquatic toxicity
 - Mineral consumption
 - Eutrophication

Cube Optimization (“Right-Sizing”)

- Product-to-package ratio
 - Adjusted for fragility class of commodity shipped
 - Adjusted for pick-and-pack vs. case ship operation



Above procedures are typical; some variations may apply depending on product shipped and other characteristics.

Damage Prevention

- Industry recognized testing standards
 - ISTA 3A (parcel transportation simulation)
 - Other ISTA test procedures as needed



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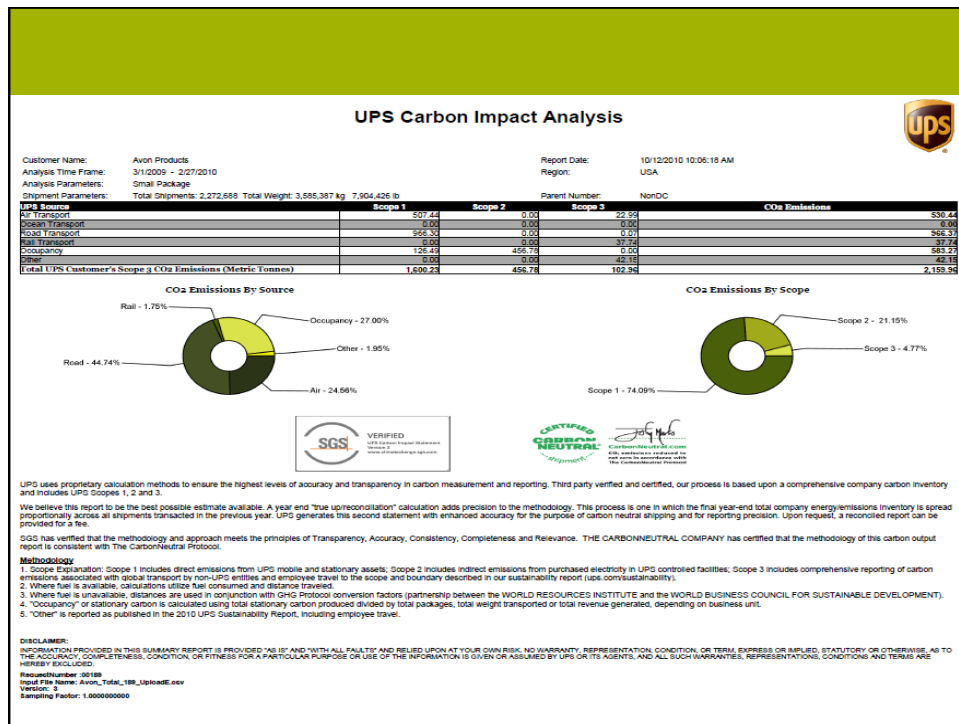
The Journey Continues – a Snapshot

- Evaluating next stretch goals
- Considering new structures and governance approaches
- Fleshing out and directing employee engagement program
- Fully engaging procurement practices
- Global human rights issues
- Focused collaboration
- Continued exchange of best practices
- Listening to our customers



Thank you





Let customers know

- Program logo may be used on:
 - Boxes shipped
 - Web site
 - Catalogs
 - Electronic order confirmations
 - Packing lists

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